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TAXATION BY T. M'CANTS STEWART

The following is T. McCants Stewart's paper on Taxation which excited interest when read before the Research Club a few days ago:

The query, "What is truth?" put to the defendant in the most notable trial of human history, comes ringing down the ages, and is the keynote to every investigation made by thoughtful men the world over, and in all times. It meets us here tonight in this discussion, and we are trying to answer it in our endeavor to point out the true principles and methods of taxation, and the proper re-adjustment of the tax system of our Territory.

Our present tax system is, in many respects, a good one so far as the machinery of taxation is concerned. The assessor fixes values in the first instance. If the taxpayer dissents from the assessor's valuation, he has an appeal to three disinterested persons forming a Tax Appeals Court; and if their valuation should be unsatisfactory, an appeal lies to the Supreme Court. Such a system effectually safeguards the rights and interests of the taxpayer. There is this difficulty, however. Our Supreme Court has repeatedly held that a taxpayer can get no relief, even if his property is assessed out of proportion to the surrounding property. That is, the location of A's lot may be practically the same as the location of the lots belonging to B, C and D. But the assessor may value A's lot at \$1,000, and the other lots at \$500, and A would be entitled to no relief if his lot is correctly valued. In the Chilton tax appeal case, just decided against my client, it was shown that Chilton pays a great deal more taxes than some of his neighbors, but the Supreme Court simply says, "What of it? Is he paying on a true valuation?" And it was also shown that while his assessment was increased, property around him was assessed at the same rate as last year and previous years. But "what of it?" Now this is the law. Well, we should amend the statute in such a way as to secure equality of assessment, so that each taxpayer may contribute only his proportionate share to the expenses of the Government. Emerson said of Plato that Plato is philosophy, and philosophy Plato; that the ages have not added to nor taken from the substance of the teachings of that grand old master. So we may say of Adam Smith. The principles of taxation were little understood, were never formulated until the time of Adam Smith. He laid down four rules as the alpha and omega of the principles of taxation. I cite these two in this connection, namely:

"First—The subjects of every State ought to contribute to the support of the Government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue, which they respectively enjoy under the protection of the State. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation."

"Second—The tax, which each individual is bound to pay, ought to be certain and not arbitrary. The quantity to be paid ought to be clear and plain to the contributor, and to every other person. Where it is otherwise, every person, subject to the tax, is put, more or less, in the power of the tax gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort by the terror of such aggravation some present or perquisite to himself. The uncertainty of taxation encourages the impudence, and favors the corruption of an order of men, who are naturally unpopular, even when they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance that a very considerable degree of inequality, as appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty."

It may be said that our statute prevents a clash with Adam Smith's second rule, in that it fixes a certain rate upon property, namely, 1 per cent. But as our law allows inequality of assessment, and as there is no relief for the taxpayer if his property is correctly valued, we are, in a sense, at the mercy of the assessor. If I have a pull with him, or if his heart goes out towards me, I get off with a light assessment; but if my next-door neighbor is obnoxious to the assessor he will feel the iron hand of the tax gatherer squeezing him hard. And this may happen, even where the assessor is a conscientious officer.

My first point is that in the readjustment of our tax system we must remedy this evil. The general impression is that assessments here are not uniform; that they are not equal. Mr. W. O. Smith, attorney for our assessor, said in his argument in the Chilton case that he could not explain some assessments, meaning, doubtless, that they seemed to be arbitrary; and the Supreme Court, in its opinion, says that the majority of assessments submitted to them were glaringly low as compared with Chilton's. Yet he got no relief. He is paying more taxes than his neighbors. I am paying more taxes than some of my neighbors, and so are you. It is unfair and unjust. But "what of it?"

Why, we must amend our statute so as to secure equality of assessment.

So much for method of assessment. As to objects of taxation. Our statute imposes certain personal taxes, commonly known as the poll tax, the road tax and the school tax, amounting to the sum of \$5 upon each taxpayer. Before the passage of the Organic Act the payment of the poll tax was a prerequisite to voting, and the non-payment of these personal taxes. These taxes were, therefore, generally paid. Last year they yielded something like \$275,000; that is, poll tax \$55,000, road tax \$110,000, and school tax \$110,000. Of course I am using round numbers. But under the Organic Act there is no arrest for non-payment of these taxes, and the ballot is not contingent upon the payment of the poll tax. What will be the result? Why, the burden of taxation in this direction will fall upon those who have property, which the collector can levy upon. People without visible property will escape, and without visible property will become the burden bearer. At last, and especially under the law, as it now is, this tax bears heavily upon the poor man. It is often a hardship to a man struggling to raise a large family and to make ends meet. The no greater tax for the maintenance of the roads than

"Yonder poor, o'erlabored wight,
So abject, mean and vile,
Who asks a brother of the earth,
To give him leave to toil."

I favor the abolition of this tax. The objection that we will lose a quarter of a million dollars, if we abolish it, will not hold, because, under the law, as it now is, this amount can never be evaded. This tax will surely be evaded, as no proceeding of arrest runs against the defaulting taxpayer. The true principle of taxation lies in uniformity. It will not be fair and just to make a small part of the citizenship bear these taxes, and all the rest go free.

There is a growing sentiment in the States against the imposition of taxes on personal property; and I suggest here,

that we should strike from our statute the tax on household furniture and jewelry. Objection lies to this tax on the ground that no proper valuation is made, or can be made; that proper returns are seldom, if ever, made by the taxpayer, and that the tax collector practically accepts anything that the taxpayer chooses to pay.

The well-known publicist, David A. Wells, says: "It would seem that no intelligent person could escape arriving at the fullest conviction, that the valuation of personal property for the purposes of taxation is a mere semblance and a lie upon the intelligence and honesty of both those who enact and those who administer the laws."

A Massachusetts commission, in 1897, says: "The taxation of personal property is a failure. It is incomplete, uncertain, not proportional to means as between individuals, grossly unequal in its effects in different parts of the State. The experience of Massachusetts in this regard is the same as that of the other States in the Union. Everywhere, without exception, the testimony is that it is unequal."

Other States could be cited. A New Jersey commission, in 1897, says: "It is now literally true in New Jersey, as in other States, that the persons who now pay honest taxes on personal property are the estates of decedents, widows and orphans, idiots and lunatics."

Tax Commissioner Andrews of New York City in suggesting a remedy to secure an honest assessment of personal property, says: "First, to amend the constitutions of the States; second, to amend the Constitution of the United States; third, to amend the constitution on human nature; fourth, to amend the constitution of things."

Everywhere men are thinking along the lines of these citations. It readjusting our taxes, we must avoid radical action. We must go slow. I, therefore, for the present confine myself to the suggestion that we should remove household furniture and jewelry from our tax list. I do not have the figures; but as most persons return household furniture on the basis of a nominal valuation, I do not believe that we shall lose a very large amount of taxes. The objection that there is a \$200 exemption in our law, whereby all workmen benefit, is not good. The exemption does not go far enough. I think that there should be a homestead exemption in \$1,000, or thereabouts, as well as a sufficient exemption to keep furniture in the home, and tools in the hands of the toiling bread winner.

Burdens of taxation should be borne equally; but they should be so adjusted as not to be oppressive to the weak. Those best able to bear them should take up the cross. I, therefore, favor the enactment of a law by the next Legislature taxing incomes beyond \$1,000 to \$2,000. Our last income tax law was declared unconstitutional by our Hawaiian Supreme Court; but no constitutional objection now lies to an income tax, as we have no constitution; and no objection would likely lie because of the decision of the United States Supreme Court, as that decision was to the effect that Congress could not pass such legislation; that such legislation is exclusively within the province of the several States. An income tax, if constitutional within this Territory, would yield a very large revenue, and would more than counterbalance any loss resulting from the abolition of the personal taxes and the tax on household goods and jewelry, and the extension of the tax exemption to cover a homestead in \$1,000 or thereabouts, the necessary furniture, and a man's tools, of whatever nature, used in earning a living.

Speaking under a time limit, I can not argue the proposition. Others may do so. To me, the justice of an income tax seems self-evident, and the results would increase the prosperity and promote the development of our Territory. With this tax, and with some amendment of and a faithful execution of the law relating to the taxation of franchises, we shall have abundant revenue. We have not lost as much as we sometimes think through the transfer of the postoffice and the custom house to the Federal Government, as we are relieved from the entire expense of those departments.

Finally, as students of taxation, we should not ignore those of our fellow-citizens who advocate a reform in our method of taxing real estate, and urge that we place the tax on land values, irrespective of improvements. There are some weighty arguments in favor of this system, and while I do not now commit myself to it, I am free to admit that it seems to work well in States where it has been tried. It does seem that our present system is not uniformly fair and just. In New York City, in 1895, certain investigations showed that the property of the small householder and of the house-owner are assessed at a larger percentage of its true value than are the holdings of the large estates and corporations; that improved property is generally assessed at 60 per cent of its value, while unimproved property escapes with an average assessment of about 30 per cent. A committee of Congress reported in 1892, that small homes in the District of Columbia were assessed at from 70 to 80 per cent of their true value, while land held for speculation was assessed at less than 10 per cent. If our Legislature were to appoint a commission to investigate, similar results would doubtless appear here. It does make a taxpayer think a great many hard thoughts, when the assessor puts an extra \$1,000 in one jump on his inside lot, and leaves a corner lot next door at the same valuation it has carried for years. The only reason for doing this is that one taxpayer puts up a house and paints it and his neighbor does not. There can be no denial of the statement that such a system is a tax on industry. A sentiment against such a system is growing in the States, and we shall find it strongly represented at the coming session of our Legislature.

As intelligent men, we can not dispose of these questions by calling people differing from us "socialists," "fire-eaters," "anarchists." We must argue them down, if we have the weight of argument on our side; or depend upon it, they will argue us down if they have the weight of argument on their side.

The principle of taxation is constantly changing—perhaps I should say enlarging. So little understood until the time of Adam Smith, the subject of taxation has expanded under the treatment of Henry Fawcett in England, and our own Amasa Walker, and the long line of American publicists and political economists, who have followed the great modern apostle of political economy. And, further, the needs and machinery of modern States, so new and different from those of ancient and mediaeval times, have given shape and direction to this subject, and have caused, and they are still causing constant readjustment. For example, the corporations of the present time, so different, in a sense, in their construction and operations from those of even a quarter century ago, are forcing upon the attention of taxpayer and legislator alike the question of a special franchise tax, based upon the idea that the privilege to use real estate belonging to the public should be considered as real estate, and

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COOL NIGHTS—

Blankets and Comforters in all grades will be offered this week at special prices. If you are in need of any call in and be convinced that we carry a full stock and our prices for this week are all special.

50 pr 10-4 Blankets—special at 95c pair
20 pr 11-4 Blankets—special at \$2.00 pair
15 pr 11-4 Blankets—special at \$1.85 pair
25 pr California Wool Blankets—this is the best value ever offered—at \$3.45 pair.

JUST OPENED—

A complete stock of Outing Flannels and Flannelettes—this week 40 pieces of Flannelettes at 16c yard; 20 pieces of Flannelettes at 12½c yard.

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the value of such privilege should be taxed as such.

There is so much to be studied, and so much to be said that this club should continue this subject, taking up specific phases of it. It is a large and many-sided subject. As for myself, whenever I turn to the subject of taxation, whether to study its principles, or to note its practical workings in our Territory, I recognize the great magnitude of it, and even when I satisfy myself upon some points, I feel that I am like the boy who has gathered a few pebbles on the beach, while before him rolls the boundless ocean.

Scandal: "She seems to me one of the most distinguished-looking young women in Boston." "They tell dreadful stories about her." "Indeed?" "Yes, they say, for instance, that the lenses of her spectacles are plain glass, with no magnifying power whatever."—Detroit Journal.

SOFT, GLOSSY HAIR.

It Can Only Be Had Where There Is No Dandruff.

Any man or woman who wants soft, glossy hair must be free of dandruff, which causes falling hair. Since it has become known that dandruff is a germ disease the old hair preparations that were mostly scalp irritants have been abandoned and the public, barbers and doctors included have taken to using Newbro's Herpicide, the only hair preparation that kills the dandruff germ. E. Dodd, Dickinson, N. D., says: "Herpicide not only cleanses the scalp from dandruff and prevents the hair's falling out, but promotes a new growth. Herpicide keeps my hair very glossy."

MUFFLERS POPULAR AGAIN.

The silk muffler, which had such a vogue several years ago, is coming in style again. More have been sold this winter than for a long time past. A haberdasher gives a plausible reason for the revival of the muffler. "They are worn principally to prevent the shirt collar from getting soiled," he explained. "Of course you have noticed how the velvet collar of an overcoat, rubbing against the shirt collar, will make a black spot on the linen. With the quality of velvet now used in overcoat collars it is almost impossible to keep linen clean for a whole day. It is probably the dye. At any rate, it soils the linen, and a muffler worn around the neck prevents this."